



State of Rhode Island and Providence Plantations

State House  
Providence, Rhode Island 02903-1196  
401-222-2080

Donald L. Carcieri  
Governor

August 11, 2006

The Honorable George W. Bush  
The President of the United States  
The White House  
1600 Pennsylvania Avenue, NW  
Washington, DC 20500

Dear Mr. President:

In the face of continuing dramatic and unsustainable increases in gasoline prices, I am writing to ask you to take all necessary steps to alleviate this national crisis. The average national and Rhode Island price for gasoline is now hovering at just over \$3.00 per gallon, and recent pipeline shutdowns in Alaska are expected to drive this price even higher. Americans deserve immediate action by the President and Congress.

I believe that the federal government should begin to address this issue in a number of important ways. First, Congress should pass and the President sign legislation establishing a windfall profits tax on oil companies. In 2005, profits for the top five oil companies, Exxon Mobil, Shell Oil, Chevron, ConocoPhillips, and British Petroleum totaled more than \$110 billion. First and second quarter earnings for oil companies this year exceed \$60 billion. It is unconscionable that oil companies continue to pile up record profits while average Americans struggle to fill their gas tanks.

Second, the President and Congress must also work together to repeal the federal subsidies and tax breaks given to oil companies that only add to their excessive profits. While the number and variety of oil industry tax breaks and subsidies makes quantifying the actual amount in lost tax dollars extremely difficult, estimates range from \$14 billion to \$35 billion. In fact, last summer Congress passed legislation that provided the industry \$2.7 billion in additional tax breaks. Some of these tax breaks were so transparently unnecessary that CEOs from the oil industry testified in November before Senate committees that repealing the recently-enacted tax breaks would have little effect on the operation or success of their companies.

While repealing the newest and most clearly unnecessary tax breaks would be a good start, Congress must undertake a more comprehensive review of all tax breaks and subsidies provided to the oil industry. For example, a 2004 law reduced the corporate tax rate on goods produced in the U.S. and has allowed ConocoPhillips, which earned \$13.5 billion last year, to save an additional \$106 million in taxes. All told, that federal law is expected to save energy companies approximately \$3.6 billion over the next decade.

At the end of the day, one thing is clear: Americans should not be forced to pay both at the gas pump and to the Internal Revenue Service to help further inflate record oil industry profits.

Third, Congress should follow Rhode Island's example and utilize the revenue from the windfall profit tax and repeal of oil industry tax breaks and subsidies to invest in renewable energy like wind and hydro, alternative fuels like biodiesel, and energy efficiency and conservation efforts. America must focus on increasing the efficiency of vehicles, buildings, homes, and products, while continuing to improve conservation efforts across the country. Only through a substantial increase in these programs will we make progress towards ending our dependency on foreign oil.

As Governor of a New England state, I am keenly aware that we must also substantially increase the amount of funding to the LIHEAP program, which assists the low-income, the elderly, and the disabled with their increasing energy costs. I urge you to make that a priority before the winter begins.

Fourth, I ask that you order an investigation into price gouging by oil companies. While a free market economy maximizes profit and investment returns, government must ensure fair play. Although the Federal Trade Commission report issued this spring concluded that price gouging did not occur after Hurricane Katrina, we must continue to investigate. As recently as 2001, the FTC found that oil companies had engaged in the practice of withholding gasoline supplies in order to boost profits. This practice was certainly unethical and undermined the success of the oil markets. The federal government must continue to be vigilant.

Finally, Congress should hold full investigations into the internal practices of the oil industry. Recent history is replete with examples of oil companies failing to live up to their responsibility to reliably provide energy supplies to the market while also protecting the environment. In particular, British Petroleum's recent pipeline shutdown in Alaska and the 210,000 gallon oil spill just five months ago are troubling. The oil spill was Alaska's second largest crude oil spill – second only to the 1989 Exxon Valdez disaster. Five months ago, the federal government ordered British Petroleum to inspect and repair its entire pipeline after tests ordered by the U.S. Department of Transportation showed parts of the pipeline had lost up to 70 percent of their mass due to corrosion. Recent reports indicate that British Petroleum did not implement cleaning procedures to help lessen corrosion.

When oil prices are low, oil companies have little desire to invest in pipeline maintenance. But when prices are high, they have equally little desire to reduce production capacity to perform maintenance. Investigating these practices will focus attention on industry standards and procedures and help answer the question of why, at a time of soaring profits for oil companies, would safety and supply be sacrificed.

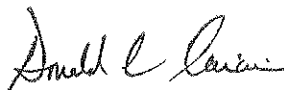
Rhode Island is doing its part to alleviate the energy crisis. In January, I developed a five-point energy plan. My energy agenda focuses on accessing natural gas supplies from Canada, promoting the use of renewable energy, conducting a state government energy audit, advocating reform of the electricity market, and expanding low-income energy assistance.

We are advancing my goal of securing 15 percent of Rhode Island's electricity needs from wind power. In fact, we expect to develop a final list of potential sites for wind turbines and costs associated with each by the end of this year. In addition, we are also working to build hydro power facilities in up to 20 dam sites across the state, as well as in fast-moving rivers and streams.

We are also reducing the state's energy use. Four state-controlled entities will implement performance contracting with energy service companies to reduce energy use by nearly 25 percent and save the state \$7.5 million per year in capital costs. We have increased the focus on weatherization programs, saving 80 million gallons of fuel oil. I have issued Executive Orders to increase fuel standards for our state fleet and to require the construction of energy efficient state buildings. Finally, I continue to work with the New England Governors and Eastern Canadian Premiers to develop natural gas supplies from Canada, to solve electrical transmission problems in our region, and to press for comprehensive reform of our region's electricity market.

Rhode Islanders will do their part in addressing this national issue. But only the federal government can produce lasting change for our nation and wean the United States from its oil dependency. On behalf of all Rhode Islanders, I urge you to redouble your efforts to alleviate our national energy crisis.

Respectfully,



Donald L. Carcieri  
Governor

cc: The Honorable J. Dennis Hastert, Speaker of the House of Representatives  
The Honorable Samuel Wright Bodman, Secretary of Energy  
The Honorable Bill Frist, Senate Majority Leader  
The Honorable Harry Reid, Senate Minority Leader  
The Honorable Jack Reed, United States Senator  
The Honorable Lincoln D. Chafee, United States Senator  
The Honorable John A. Boehner, House Majority Leader  
The Honorable Nancy Pelosi, House Minority Leader  
The Honorable Patrick J. Kennedy, United States Representative  
The Honorable James R. Langevin, United States Representative